

LAND BOARD AGENDA ITEM
NOVEMBER 20,2006
Final Approval for Land Banking Acquisition
TONGUE RIVER RANCH

BACKGROUND

The Tongue River Ranch received preliminary approval in July 2006. Since then the DNRC has engaged in evaluation of the property as per the Land Banking Rules ARM 36.25.813 through 816.

PUBLIC INVOLVMENT

In April 2006, DNRC solicited nominations from a variety of cooperators, landowners, and local/regional real estate agents encouraging interested parties to nominate parcels for acquisition via the land banking program between April and June. The Department received 15 nominations for purchase. This tract was nominated by the Department.

SELECTION CONSIDERATIONS AND PROCESS

DNRC secured a purchase agreement for a sale price of \$5,000,000. Preliminary estimate of the appraised value of the ranch is \$4,700,000 - \$4,900,000, and contingent upon findings of the due diligence as per Land Banking Rules. Due diligence included a tour of the ranch, title report, hazardous materials study, water rights review and appraisal of the ranch.

The title report noted the access to the property was via county gas tax roads. Custer County Commissioners are in the process of establishing this access route as a county road. A public hearing will be held November 22, 2006 regarding this road and decision by the Commission. A copy of the evaluation summary is attached.

RECOMMENDATION

The Director recommends final approval of the acquisition of the Tongue River Ranch at a price not to exceed the final appraised value; pending completion of the remediation noted in the attached Land Board report; and pending the designation of the access to the ranch as a county road and so stated in the title report.

ACQUISTION REPORT**EXPLANATION****Seller's Disclosure**

Access to the ranch is via a "gas tax road". There is no county road (legal public) access to ranch. The county is in process of passing a resolution to make access to the ranch a county road. This may be completed in November or December. Ranch dumps are present that Haz Mat survey will evaluate.

Annual Rate of Return over 20

1.44%

**Annual Rate of Return of
propertie sold**

"less than 1% annual rate of return" - for the aggregate total of 9,985 acres sold in Custer County

Classification of property

Agriculture Acres = 381.7 (288=Pivot, 61=Flood. 20-40=Dryland), Grazing = 19,902.3 (State=640, BLM=1,100, Private=18,544)

Soils/Range

The majority of the soils associated with the ranch are shallow granular clays from 10-20 inches in depth to a shale or nearly impervious clay. Slopes on the ranch range from 15-35% with occasional slopes of 45%. Range sites are typically shallow, shallow clay, or silty in the bottomlands and along the Tongue River.

Vegetation

Majority of the ranch is native range consisting of Western wheatgrass, Bluebunch wheatgrass, Needle-and-thread grass, and Big sagebrush. A mix of tame species, primarily Crested wheatgrass, is found scattered throughout. The pivot is planted to a grass/alfalfa mix, the flood irr. is planted to grass, and the dryland hay is planted Crested wheatgrass.

Range Condition

Good to Excellent

Weeds

Canada thistle was found along the Tongue River and adjacent drainages.

Timber Cruises

NA

Water

There is an extensive pipeline system throughout the ranch fed by wells. Several windmills along with several stockwater ponds are found throughout the ranch. Soils irrigated by the Tongue River water are suceptable to salinization, and the Tongue River water has a high SAR ratio. Soils must be carefully managed to assure present and future productivity.

Water Rights

The TRR has two junior water rights on the Tongue and one on Miles Creek. TRR presently purchases 500 acre feet of water from the Northern Cheyenne for center pivot and flood irrigation use.

Wildlife (T.E)

No Threatend or Endangered species or habitat is known to be on the property. An FWP survey found Mule Deer, Whitetail Deer, Antelope, Sage Grouse, Sharp Tailed Grouse, Ringneck Pheasant, Waterfowl, Turkey, and Hungarian Partridge along with numerous other species to be present on the ranch.

Fisheries

Tongue River

Wetlands/Flood plain

Tongue River

Riparian characteristics

All creeks on the ranch are dry for most of the year. The riparian area surrounding the Tongue River is in very good condition. It is a common management practice for most landowners along the river to fence the river from livestock use. The channel has a very good meandering form promoting fishery development and flood protection. The banks consist of gentle slopes with few cuts. There is very little erosion present. There is abundant riparian species present along with tame grass species growing well into the high water mark, all showing very good vigor and production.

Cultural values

Presently the kinds, quantities and significance of cultural or paleontologic resources on the property are unknown. If the property becomes State Land administered by the DNRC, the mandates of the State Antiquities Act and MEPA will be satisfied prior to the authorization of ground disturbing activities, or other proposals that would constitute an action.

Mineral characteristics

Seller is conveying 100% of their mineral property rights. This site consists of three of the six statewide habitats: riparian, shrub grassland, and plains forest. From both a statewide and an ecoregional perspective, riparian and shrub grassland habitats are important habitats that are seriously threatened and/or highly productive and in need of protection.

Aesthetic Values

The Tongue River Ranch has 10 miles of river frontage associated with the boundary and roughly 2 sections of riparian river bottom. The unique juxtaposition of riparian, shrub grassland, and plains forest habitats on this property make it a highly productive area not only for wildlife but for agriculture as well. The potential for conservation benefits and enrichment of the overall quality of life for the people of the State of Montana make this an ideal property for land banking acquisition consideration.

Recreational Use

This ranch offers abundant recreational opportunities including hunting of upland birds, deer, antelope, and prairie dogs. There are also opportunities for hiking and fishing of the Tongue River.

**Zoning
Planning**

None
None

Surrounding land use

Surrounding land use consists primarily of grazing with scattered areas of hayland.

Potential for multiple use

The Tongue River Ranch has the potential as a working ranch, as well as big game and upland bird hunting, fishing in the Tongue River, bird watching, hiking, and other recreational opportunities.

Access to parcel

The access to the Tongue River Ranch property currently has access as a "county gas tax" road and this status is scheduled to be revised to a "county public road" by November 22, 2006. The county road designation will provide public access.

Infrastructure	<p>Power is available to much of the ranch. There is a ranch headquarters located on the property that includes a ranch house, barn, quonset, and shop with all customary utilities. There are also several roads that access much of the ranch ranging from gravel to two-track trails.</p>
Adjacent public lands	<p>Purchase of this property will open up access to scattered BLM and State lands outside of the ranch. Approx. 2,160 acres of BLM and 640 of State. It will also open access to inholdings inside the ranch of 1,100 acres of BLM and 640 of State.</p>
Adjacent conservation easements	<p>Purchase of this property will establish a continuous longterm block of habitat along with existing "adjacent conservation easements" (Hirsch, SH and Bice Ranches) directly south and west of the of the Tongue River Ranch property. This continuous block would be 45,052 acres of deeded ownership (70 + sections) : 53,136 acres (83 + sections) total when current state and BLM lands are included. Also, this proposal would consolidate land along approximately 31 miles of the Tongue River frontage.</p>
Appraised Value Purchase Price	<p>\$4,700,000 - \$4,900,000 annual appreciaition rate 8% Five Million Dollars (\$5,000,000.00)</p>
Summary of Title report	<p>Outstanding title issues include lack of insurable public access to ranch, prescriptive use of a road through the ranch for an adjacent landowner, lack of access to 34 acres along the Tongue River. The latter two items are being waived, the first will be resolved prior to closing.</p>
Summary Phase 1 site analysis	<p>The report reveiwed current and historic conditions of the property. All misc. movable items mentioned in the report are to be removed per the purchase agreement. Significant items identified in the report are: 1. Numerous trash dumps on the property. These dumps are used by the landowner for household and ranch debri. These dumps should be excavated and debri removed to an appropriate landfill and soil conditions below the base of the dumps evaluated. 2. 55 gallon drum north of large metal shop needs to be emptied, excavated and soils below and adjacent to the drum needs to be evaluated for possible contamination. These items must be remediated prior to closing.</p>
Notiication to Commissioners and adjacent land owners	<p>Custer County Commissioners and adjacent landowners were notified as per 36.25.815 (5) on October 5, 2006.</p>